

# **RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

## **FINANCE COMMITTEE MEETING**

**Minutes of Meeting held, Friday December 5, 2008**

**Finance Committee Members Present: John MacDonald, Treasurer and Edward Field, Secretary.**

**Absent: Thomas Deller, Vice Chair**

**Also Present: Alfred J. Moscola (General Manager); Maureen Neira; Henry Kinch and Ellen Mandly.**

**The meeting began with Messrs MacDonald and Field reviewing and accepting the minutes of the November 5, 2008 meeting as presented.**

**Maureen Neira stated the purpose of the meeting was to finalize the FY 2010 preliminary budget which has been discussed at previous meetings and the assumptions revised based upon those discussions. She passed out a staff summary discussing the assumptions of the FY 2010 budget.**

**Ms. Neira said she had requested an extension for filing the budget to November 28th, but the budget was still not finalized by that date and**

she then applied to the State Budget Office for a second extension to December 19th,. She stated her hope was that the budget will be approved at the December Board meeting. Mr. Field asked about the filing extension process. Ms. Neira explained the process noting that the preliminary budget is usually filed on time and is normally revised after the November Estimating Conference and resubmitted in December.

Ms. Neira began her discussion by referencing the comparison of the FY 2009 and FY 2010 budgets on page 2 of the staff summary. She stated revenues are down about \$5.3 million and expenses are also down a total of \$3.4 million and the deficit for FY 2010 is \$12.4 million.

Ms. Neira proceeded to discuss page 2 in depth and the chart entitled FY 2010 Preliminary Budget Expense Variances, which illustrates the difference in the expenditures noting that fuel is the main contributor.

Ms. Neira stated that the FY 2010 budget contained a 2% inflation rate, staying consistent with the State. Mr. Field asked where this rate applied and she responded it is used for expenses where there is no other information to use, such as postage. She stated that a quarter of RIPTA's revenue comes from the federal government which began their fiscal year on October 1st and have not yet posted their budget. Agencies have been placed on a continuing resolution until March 6, 2009. Until it is known how much RIPTA will receive, the FY 2010 budget will assume federal funds consistent with the prior year.

Mr. Field commented on the decline in revenue primarily due to Rltecare and asked if the recent fare increase to \$1.75 was fully incorporated across the year. Ms. Neira replied that it was incorporated into both FY 2010 and FY 2009. She noted that Rite Care accounted for \$7 million of the decline, \$5.2 million from the loss of the subsidy and approximately \$1.8 million from passes. The shortfall of Rite Care revenue from the distribution of passes was also reflected in the FY 2009 deficit that was adjusted at the November Board meeting.

Next Ms. Neira discussed the deficit amount and answered questions.

Mr. Moscola discussed the process of budgeting for fuel noting the recent decline in price and Ms. Neira said the current budgeted price for fuel is \$3.45, which will be reviewed and finalized in March. Mr. Field suggested that fuel be budgeted separately and paid for by the State House. Mr. MacDonald said there have been discussions of buying fuel in bulk for the State. Mr. Moscola then described in detail the difference between #1 ultra low sulphur fuel used by RIPTA and #2 fuel used by other agencies and issues this causes when contemplating buying in bulk.

Ms. Neira discussed the next large revenue item, the gasoline tax, which was set at \$4,475,000 per penny. She said she has assumed that service and head count would remain consistent with FY 2009 and has not included any initiatives that may come out of the

**Governors Panel. She also has not included changes to the senior and disabled half-fares, as that initiative requires legislative action and will likely be one of the a recommendations of the Governors Panel. If the legislators were to act and the half-fares could be implemented by February 1st it would result in about \$800,000 for the remainder of FY 2009. If the legislation is approved and it is made a part of the FY 2010 budget it would result in approximately \$1.7 million in revenue.**

**Next Ms. Neira discussed expenditures reminding the Board that all RIPTA's three labor contracts expires June 30, 2009. She budgeted for progressions for employees (those moving up in pay scale), but kept wage rates and headcount the same and did not budget for raises. She discussed the first page of the revenue figures saying revenues are budgeted at \$85.8 million and noting the biggest variances such as Rltecare passes, interest income, removal of the ferry and gasoline tax adjustments based on the November Estimating Conference.**

**She reminded the Committee that the FY 2009 budget does not reflect the \$8 million dollar deficit because at the November meeting the Board held a lengthy discussion after which they decided to accept the deficit reduction, but not modify the budget. One of the larger changes to the FY 2010 budget are to health care benefits which are based on the new benefits the State created for early retirees and the amount set aside for the OPEB trust (GASB #45). The last page**

illustrates the trust payments which increase annually in increments of \$250,000 until the liability is fully funded. Ms. Neira asked the Committee if they were comfortable with this level of funding as she must instruct the actuaries to work on the cash flow costing which will tell us how many years it will take until benefits are fully funded and she also needs to notify the State. Mr. MacDonald said he was comfortable with the funding and commented that progression seemed sensible.

Next Mr. Field asked for an explanation of the FY2010 gasoline tax yield and a brief discussion ensued with Ms. Neira explaining the yield and comparing the yield for FY 2009 and FY 2010. She continued discussing items that remain open, such as senior and disabled half-fares and a lengthy discussion of senior and disabled riders ensued. Mr. Field asked questions regarding the UPass Program and was told just two institutions have not joined.

Ms. Neira stated that FY 2010 reflects a \$12.4 deficit with fuel budgeted at \$3.45 per gallon. She does not have a revised number on the debt service and at the State's direction is using the same figure as FY 2009. Mr. Kinch asked if she is assuming a balanced budget for FY 2009 and she stated that the FY 2010 budget does not assume a carryover from FY 2009. A brief discussion ensued regarding RIPTA receiving money from the State to cover the deficit and new sources of revenue.

**Ms. Neira concluded her report and hearing no further questions Ellen Mandly asked for the record if the Committee approved the concept and assumptions for the FY 2010 preliminary budget. Mr. MacDonald expressed his approval as did Mr. Field. Mr. MacDonald stated that he would recommend approval to the full Board at the December Board meeting.**

**There being no further business the meeting was adjourned.**

**Respectfully submitted,**

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**Ellen M. Mandly**

**Recording Secretary**